

# MSINGA MUNICIPALITY



## ANNUAL REPORT 2010

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## Mayors Report On Municipal Performance for 2009/2010 Financial Year



It gives me pleasure to rise and present budget for 2010/2011 Financial year on behalf of Msinga Municipal before these numbers of Msinga people who are gathered here today. First of all I wish to thank our councillors for their advance action of adopting this budget so early unanimously on 2010/05/19. This is an indication of their professionalism in dealing with important municipal matters. To approve or adopt budget timorously is the requirement which is stipulated in the Municipal Financial Management Act. No 56 of 2003. As the political head in this municipality it is my responsibility to advise the entire community of Msinga about all programmes regarding the performance of this municipality.

I present this budget before you with a big confidence because as from the beginning of the current financial year to date we bring government to the people through Mayoral programme of actions which were conducted in all wards. Members of the community in all wards were given an opportunity to express their views regarding development in this municipality **“SENZA LOKHO OKUSHIWO NGABANTU”**. Both draft Budget and IDP have been presented to community for comments through advertisement in various newspapers and also during Mayoral izimbizo. They were both unanimously accepted by members of all various wards in our area of jurisdiction. We therefore gathered here today to celebrate official approval of Bugdet and IDP for 2010 /2011 and also to be informed about municipal performance during 2009/2010 financial year.

### 2. MSINGA MUNICIPALITY’S MISSION AND ITS VISION STATEMENT

The Vision for Msinga is intended to provide a clear statement of the preferred future. This statement is informed by the historical understanding and knowledge of the area.

The main characteristics of Msinga have had a profound influence on the development of the Vision:

- Low Human Development Index
- Physical and technical underdevelopment of the area
- Very high levels of poverty

In addition to the above, the following components have been identified as being key to the development of the communities of Msinga.

- Poverty alleviation and the provision of employment opportunities
- Empowerment

- Economic Development
- The satisfaction of basic needs and the provision of services
- Education and Training
- Sustainable Municipality
- Participation of all citizens
- Safe and sustainable environment
- Youth development
- Safe adequate housing
- HIV/Aids effects

Using these components as the building blocks, along with the characteristics of Msinga, the following Vision was developed in 2001 and the present council has not deviated from this.

### 3. MSINGA MUNICIPAL PERFORMANCE REPORT FOR 2009/2010

Msinga Municipality always ensure that it does make promises for things that it can afford to do for the benefit of its community. This brief report can be regarded as an achievement for such municipality which has no sources of income. The report is arranged in accordance with Municipality Key Performance Areas/Indicators for easy understanding and also easy to measure its performance. It is also in accordance with objects of establishment of local government as stipulated in Section 152 of the Republic of South Africa Constitution Act No. 108 of 1996-Chapter 7 as follows:

#### (a) Basic service delivery.

It is the responsibility of Local Government to ensure provision of services communities in a sustainable manner. To comply with this object, Msinga Municipality during the current financial year has achieved the following basic services:

- ✦ Connection of electricity in 1200 household at KwaDolo area i.e. **R16000 000.00.**



- ✦ Construction of various access roads in different wards.

## OWN FUNDING

NO	ACCESS ROAD(NAME)	AMOUNT INVOLVED	WARD
1	Sphanga Access Road	R 1, 577 777.10	03
2	Mahlabathini Access Road	R 664 797.84	10
3	Ndanyana Access Road	R 1, 161 346.50	17
4	Kubuyakwezwe Access Road	R 1, 742 877.60	08
5	Nodlozi Access Road	R 1, 321 887.00	07
6	Embubeni Access Road	R 1, 410 265.50	01
7	Burnhill Access Road	R 911 230.50	06
8	Ezindluzeleni Access Road	R 1, 321 399.08	15
9	Nkobongweni Access Road	R 1. 231 177.04	17
10	Gxobanyawo Access Road	R 422 901.01	11
11	Nondela Access Road Extention	R 1. 064 044.00	14
12	Mavumbuka Access Road	R 539 083.00	05
13	Gxobanyawo Access Road	R 469 027.00	11
	<b>SUBTOTAL</b>	<b>R 13 837 810.00</b>	
	<b>MIG PROJECTS</b>		
1	Bhodlendlini Access Road	R3, 402 037.00	08
2	Simanyana Access Road	R2, 690 642.00	07
3	Ngilandi Access Road	R2, 169 823.00	13
4	Ezihlabeni Access Road	R3, 056 031.00	14
	<b>GRANDTOTAL</b>	<b>R25 156 343.00</b>	



Nkobongweni access road



Ngilandi access road



Msinga Municipality is continuing with its programme of utilizing local labourers to maintain access roads constructed through “**Siyazenzela Msinga Road Maintenance Programme**” whereby 10 labourers are employed in each access road. This means 140 labours will be employed in 14 access roads constructed during 2009/2010 in one Financial Year is a great achievement on our side.



**Siyazenzela Msinga Road Maintenance**

During this current Financial Year a number of indigent people are subsidised in electricity as well as solar panels and amount allocated in this subsidy: **R1, 934 141.00**

**(b) Youth Employment.**

During this current Financial Year, the following youth projects were arranged:

**Project**

1.	Bursaries for Tertiary Education	R 170 000.00
2.	Support in computer skills	R 86 000.00
3.	Training in office skills	R 204 000.00
4.	Various youth project per ward (R20 000.00 per ward)	R340 000. 00
	<b>TOTAL</b>	<b>R800 000.00</b>

**(c) Sports and Recreation.**

1	Support youth in participation in sports	R 150 000.00
2	To encourage schools to participate in sport by provision of soccer kits.	R 300 000.00





**Landulwazi school**



**Mafemfundo school**

**(d) Local Economic Development**

- (i) To promote social economic development is part of objects of Local Government. To comply with this object the Msinga Municipality ensures that the local economy of this area is developed by utilizing local service providers or suppliers for all goods and services to be utilized to it. During this current financial year 06 local service providers were utilized for supply of goods and services at Mayoral Imbizos as well as catering amounting----- (including catering for Council meetings). I wish to mention that today's function 20 service providers including 73 minibuses have been given an opportunity to provide services.
- (ii) Msinga Municipality has arranged to support destitute people with 250 coffins to bury their loved ones. An amount of **R 150 000.00** was spent by utilizing local funeral parlours.
- (iii) Agriculture is the only source of income in this municipality, and it ensures that local farmers are supported in this regard: an amount of **R 175 000.00** has been spent in order to support farmers in farming e. g by buying seeds, fencing, water pumps, paying for ploughing costs.



- (iv) To promote a safe and healthy environment is the responsibility of local government. In September 2008 the former Deputy President visited this area in ward 07 to launch the War on Poverty programme. In order to support this programme the Msinga Municipality is encouraging people to establish community gardens and also provide the affected people with food parcels. Each ward has been allocated with **R15 000.00** for community gardens and it is **R255 000.00** for all 17 wards. 360 needy people especially orphans, widows and widowers have been provided with food parcels amounting to **R489 600.00** from local suppliers e.g. **Pomeroy, Spar, Inkanyezi, Zankosi, Keats Drift, and Kopi.**



(v) **Groups empowerment**

Msinga Municipality has resolved that ward groups should be utilized for entertainment during Mayoral programme of action rather than to hire them outside the ward or Municipal jurisdiction. As it has been said that during this current financial year 36 Imbizo were conducted. In each event 03 groups performed which means that  $36 \times 3 = 108$  groups. Each group was compensated with an amount of **R3000.00** in order to develop it. An amount of R 9000.00 was allocated for each ward for the said empowerment. This means that  **$R\ 9000.00 \times 36 = R324\ 000.00$ .**

**Examples of beneficiaries**

Isicathamiya- Loveminus ward 02  
Ingoma ubuhle bengqonge ward 12 and  
Omama bebhayi basemadulaneni ward 16





Omama baseMadulaneni



**Abafana bengqonge**



#### **(e) HIV/ AIDS AWARENESS**

Msinga Municipality also cares for HIV/AIDS victims and during the current financial year the Council for HIV/ AIDS was established and awareness is done in all Mayoral imbizo's and infected people are supported with food parcels. The expenditure is **R 90 000.00**

#### **(f) GOOD GOVERNANCE**

Local Government is expected to encourage communities and community organizations to be involved in matters dealing with Local Government. To achieve this Msinga Municipality always act according to its community communication strategy when bringing government to the people. During this current financial year 36 imbizos have been held. This involves awareness programme in certain matters e.g fire management, Municipal Property Rates. The expenditure is **R 1 050 000.00**

**Imbizo:**



To strengthen good governance and public participation this municipality invites all stakeholders to be part of Mayoral programme of action such as Traditional Leaders ( Amakhosi and indunas) Heads of Local Government Departments, Representatives of NGO's and CBO'S etc. Stakeholders participate as the following during these events:

- ✦ Ministers of religion- opening prayer
- ✦ NGO'S e.g. IEC, Philanjalo & Sinozwelo- present their programmes
- ✦ Heads Of Department given slots to present their functions
- ✦ Amakhosi to give vote of thanks



Mrs Phiri- Department of Home affairs



Mrs Mdlalose: Depart. Social Development





Mr Skhumbuzo Zondi: Sinozwelo



Mr Ndlovu: Dept. of Agriculture



Mr M Ngubane: IEC

Msinga Municipality has 19 CDW'S that serve as a link between community and government. They participate in Mayoral Imbizos.

Regarding IGR, the Mayor does attend District Mayoral Forums which are co-ordinated at the District level. The Municipal Manager also attends technical meetings for all municipal managers within uMzinyathi District. There is a good relationship among uMzinyathi District, Provincial departments and Local Municipalities.

## 5. MUNICIPAL FINANCE VIABILITY AND MANAGEMENT

Management of finance by the Municipality is still in the satisfactory manner. It has been audited for 2008/2009 and also obtained **without** qualifying audit report. I.e. is "**UNQUALIFIED REPORT**."

*An article below is evidence of what is said above:.. **ISOLEZWE** of 2010 January 28*

## 6. BUDGET ALLOCATION FOR 2010/ 2011 FINANCIAL YEAR

The Budget comprises of both revenue and expenditure, and it is divided into operation and capital.

The operation of Msingane Municipality is mainly relies on grants and allocations from National and Provincial spheres of Government, since it is still has no revenue base as follows:

### STATUTORY REQUIREMENTS

In terms of Section 10(G)(4) of the Local Government Transition Act, Second Amendment Act, 1996 (Act 97 of 1996) the Council shall submit to the Minister of Finance within 14 days from the adoption thereof by Council for the purpose of monitoring whether the maximum expenditure limits have been complied with: Provided that the Minister of Finance may delegate this monitoring function to the MEC responsible for Finance.

Section 10(G)(4) of the Act mentioned above provides that “in so far as it may be essential for the pursuit of the national economic policy, the Minister of Finance, after consultation with the Minister, determine maximum expenditure limits for the budgets or components of such budgets of municipalities for a financial year.”

The Minister of Finance has therefore set the maximum expenditure increases of 6% for each of the capital, special and trust funds and operating budgets.

These restrictions do not take into consideration new municipalities that have been recently established as ours, resulting in some functions not efficiently, effectively and efficaciously being performed.

## **7. BUDGET PRINCIPLES / METHODS**

### **7.1 SALARIES, WAGES AND ALLOWANCES**

A provision of 8% increase has been made in staff salaries, wages and allowances.

### **7.2. COUNCILLOR SALARIES AND ALLOWANCE**

A provision of 8% increase has been made although this may not be realized.

## **8. RESOURCE SUPPORT SERVICES**

### **8.1. OPERATING INCOME**

#### **TARIFF OF CHARGES**

Refer to tariff of charges. Full implementation of property rates act will form part of the 2012 budget process.

## **9. EQUITABLE SHARE**

An amount of **R46 328 000.00** has been allocated to Msinga Municipality for the financial year 2010/2011. This allocation has been increased compared with that of 2009/2010 is **R 36 575 000.00**. This allocation has no conditions; it is utilized according to municipal requirements in terms of Municipal Finance Management Act stipulation.

## **10. OTHER GRANTS**

**10.1 Financial Management Grant (FMG)** an amount of **R1000 000.00** has been allocated to Msinga Municipality and it is the same as the current financial year. This amount is utilized only to capacitate local youth who have obtained diplomas, degrees, honours masters etc, in the Finance management that are regarded as financial “interns”. I am very pleased programme director to report to the community of Msinga that in this current financial year for the first time three Msinga youth members have benefited from this allocation. These youth members are from ward 05, 09 and 12. They are employed



for duration of three (03) years. Other youth are also encouraged to study with financial management courses as there is a need for them in Municipalities or local government.

**10.2 . Municipal Systems Infrastructure Grant (MSIG)** an amount of **R750 000.00** has been allocated to Msinga Municipality, and it has been increased as compared with current year which is R 735 000.00. This allocation has specific conditions. Msinga Municipality has decided to utilize this allocation into two folds:

- ❖ **R 255 000.00** to enhance ward committee functionality and
- ❖ **R 495 000.000** for Municipal Property Rates awareness and development of policies and bye- laws pertaining property rates implementation.

**10.3 Municipal Infrastructure Grant (MIG)** an amount of **R18 277 000.00** has been allocated to Msinga Municipality which is little bigger that of the current financial year. Msinga Municipality has resolved to utilize this amount in only construction of municipal access roads in order to reduce its backlogs in this regard.

## **11. OPERATIONAL EXPENDITURE**

An operational expenditure is estimated to an amount of **R 52 006 314.00** in 2010/2011 financial year.

Programme Director the operational expenditure as indicated above includes the daily operation for the Municipality which if I can explain can take me the whole day, but budget document is available in our office for those who may require it for perusal.

I would like to stress that even though this Municipality has no revenue base and relies only allocation and grants from other spheres of Government, but it ensures to satisfy needs of its community, especially those which are local municipality's core functions as follows:

<b>Vote</b>	<b>ITEM</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
<b>130</b>	<b>372</b>	<b>AWARENESS PROGRAMME.</b> This has been reduced with <b>R 50 000.00</b> as compared to the current financial year. The reason being that the other section deals with this	<b>R 1000 000.00</b>
<b>120</b>	<b>374</b>	<b>HIV/AIDS AWARENESS CAMPAIGNS:</b> This has been increased with R10 000.00 due to the fact that the rate of people infected and affected is increasing.	<b>R100 000.00</b>
<b>130</b>	<b>375</b>	<b>DISASTER MANAGEMENT:</b> this amount has been increased in order to enable municipality to purchase disaster material.	<b>R60' 000,00</b>
<b>005</b>	<b>394</b>	<b>INDIGENT SUPPORT :</b> This amount has been decreased as it covered under items 405 & 420	<b>R50' 000,00</b>
<b>001</b>	<b>405</b>	<b>EMERGENCY FUNDS:</b> This is the same as last financial year. This is used to utilize to empower	<b>R 1 million</b>

		local artists in order to develop their talents.	
120	420	<b>SUPPORT PAUPER PEOPLE:</b> This amount has been increased from R 150 000.00 to R 200 000 000 due to the increase number of destitute people.	<b>R 200 000.00</b>
110	448	<b>SPECIAL PROJECT:</b> This amount remain the same as last financial year: it is utilized for the care of widows and widowers and orphans.	<b>R 2 million</b>
100	449	<b>YOUTH PROJECTS:</b> This amount has been increased from R800 000.00 to R 984 000.000. It is utilized as follows: <ul style="list-style-type: none"> <li>⊕ R170 000.00 for bursaries</li> <li>⊕ R204 000.00 office skills</li> <li>⊕ R100 000.00 computer skills</li> <li>⊕ R510 000.00 various youth project i.e ( R30 000.00 per ward)</li> </ul>	<b>R984 000.00</b>

100	450	<b>Sports &amp; recreation</b> this amount is the same as previous financial year. It is utilized to encourage participating in sports.	<b>R 300 000-00</b>
100	454	<b>Ploughing costs.</b> This amount has been increased from <b>R75 000-00</b> to <b>R200 000-00</b> . This promotes agriculture in various wards and assist community in ploughing costs	<b>R 200 000-00</b>
100	456	<b>Agricultural projects</b> – same as the previous year. This also promotes agriculture in various wards as the source of the economy.	<b>R100 000-00</b>
100	460	<b>Vehicle costs</b> – same as last year – To support community in ploughing costs again.	<b>R100 000-00</b>
001	480	<b>Ward committees management:</b> This amount has been increased as compared to the current financial year from R50 000-00 to R60 000-00. This is utilized to transport ward committee members from their constituencies to the head office for special events/ meetings.	<b>R60 000-00</b>
005	554	<b>Free basic electricity:</b> This amount have been increased from R 1, 834141-00 to R1, 944189-00 this will be utilized to subsidies indigents in electricity and solar panels and also completion of phase 3 electricity infrastructure.	<b>R1, 944189-00</b>
005	555	<b>Free basic service-</b> this amount has been increased from R3,257 769-00 to R3,453 235-00 as compared with the current financial year This will be utilized to enhance basic services in Msinga Municipality such as construction of one crèche per	<b>R3,453 235-00</b>

	ward- each ward is allocated	R200 000-00.	
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## 12. CAPITAL PROJECTS

Capital projects are range as follows:

### 12.1 Access roads

No	Name of the Road	Ward	Amount Allocated
12. 1.1	Machobeni Access Road 5,5 km	12	<b>R4, 823 500-00</b>
12.1.2	Mngezweni Access Road 3,5 Km	06	<b>R3, 069 500-00</b>
12.1.3	Mbangweni Access Road 5,2 Km	16	<b>R3, 500 000-00</b>
12.1.4	Buhayika Access Road 5,5 Km	13	<b>R3, 500 000-00</b>
12.1.5	Mmangaliso Access road 2,5 Km	12	<b>R2, 500 000-00</b>
	<b>SUBTOTAL</b>		<b>R17, 393 000-00</b>

12. 2. Purchase of office furniture = R 300 000-00  
 12. 3. Purchase of Excavator = R1500 00-00  
 12. 4. Construction of animal pound = R1, 000 000-00  
**GRAND TOTAL R 20, 193 000-00**

**The Total budget for 2010/2011 = R72, 199 314**

Programme director I am aware that the focus of all people in this country is in Fifa World Cup 2010 which is now next week. I regret to inform you that due to budgetary constraints in this Municipality there are no arrangements that have been made for the community of Msinga to watch all matches. Sports is one of the Department of Sports and Recreation's function not the local Municipality. We thought that this department will arrange big screens for rural people to watch matches. However uMzinyathi District Municipality together with Msinga Municipality have arranged a big screen to be put in Pomeroy Sport field. With an assistant from the Department of Rural Development and Land Reform, eight small PVA's will be placed in the following wards:

- ⊕ Ward 01- Emzweni school
- ⊕ ward 04- Shiyane school
- ⊕ ward 06
- ⊕ ward 07- Somahashi school
- ⊕ ward 08 Nyoniyezwe school
- ⊕ ward 09- Keates Drift Primary
- ⊕ ward 12- Mthembu hall
- ⊕ ward 14 Enhlakahle Hall

In conclusion I wish to express my word of gratitude to all stakeholder who participated during the Mayoral Programme of action that were held in all 17 wards in this financial year, especially oNdabezitha, izinduna, Local Heads of Departments, NGO's – Sinozwelo, Philanjalo, IEC, CBO's – Ministers of religion and Municipal officials under the leadership of the Head of the Administration, the Municipal Manager Mr FB Sithole.

Contribution of all stakeholders and dedication of municipal staff have made Mayoral programmes of action be a great success. I hope that this co operation will also continue in the next financial year 2010/2011 which starts in July.

**THANK YOU.....**

**“WE DO WHAT IS WANTED BY PEOPLE AND DURING FORCES OF ECONOMIY AND DEVELOPMENT IN MSINGA”**



**MSINGA MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2010**

In terms of section 126 (1) of the Municipal Finance Management Act ,  
I am responsible for the annual financial statements, which are set out on pages 2 to 32, and  
which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of  
these annual financial statements are within the upper limits of the framework envisaged in  
Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and  
the Minister of Provincial and Local Government's determination in accordance with this Act.

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**MUNICIPAL MANAGER**

**Date**

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# ACCOUNTING OFFICERS REPORT TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 1. Financial Statement Ratio

	<u>2010</u> %	<u>2009</u> %
<b><u>Budgeted Expenditure</u></b>		
Personnel Cost	18	18
Remuneration of Councillors	14	14
Bad debts	2	2
Depreciation Expenses	8	9
Repairs and Maintenance	11	9
Contracted Services	3	4
Grants and subsidies	11	-
General Expenditure	32	44

## 2. Post balance Sheet Events

Nil

## 3. Reconciliation of Budget to Actual Results

### 3.1 Operating Budget

	<u>R</u>
Budget surplus before appropriations	14 312 371
Revenue variances	7 904 695
Expense variances:-	
Personnel cost	394 303
Remuneration of Councillors	(221 620)
General expenses	5 668 642
Repairs and maintenance	4 401 403
Provision for depreciation	1 211 898
Contracted services	(600 533)
Grants and subsidies paid	(553 327)
Actual surplus before appropriation	11 916 300

The positive revenue variance are explained in annexure "E1" to the financial statements

Major variations from expenditure budget are explained in annexure "E1" to the financial statements.

### 3.2 Capital Budget

CAPITAL EXPENDITURE ACCORDING TO TYPE	ACTUAL 2010 R	BUDGET 2010 R	VARIANCE R
LAND	-	-	-
FENCING	-	-	-
BUILDINGS	2 275 970	-	2 275 970
AIR CONDITIONERS	-	-	-
PLANNING	-	-	-
CONSTRUCTION WORKS	14 057 236	16 404 000	(2 346 764)
FURNITURE	-	-	-
OFFICE & ACCOUNTING	59 780	-	59 780
MACHINES	-	-	-
TOOLS	-	-	-
MACHINERY	-	-	-
VEHICLES & TRACTORS	-	-	-
SPECIALISED VEHICLES	1 200 000	-	1 200 000
CELL PHONES & RADIOS			
	17 592 986	16,404,000	1 188 986

### 3.3 Grants

During the year part of the grant received for free basic services was used to finance road maintenance.

#### WORD OF THANKS

The Mayor, the Chairman and members of the Executive Committee, Councillors and Departmental Heads are thanked for the support they have given me during the 2008/2009 financial year.

A special word of thanks to the staff of the Treasury Department for their efforts to prepare these financial statements.

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F B Sithole  
Municipal Manager  
Msinga Municipality



**MSINGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

	Note	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		84,283,001	72,366,701
Accumulated Surplus	3	84,283,001	72,366,701
<b>Non - current liabilities</b>			
Non - current provisions			
<b>Current liabilities</b>		41,278,110	30,949,533
Creditors	6	2,054,968	1,421,371
Unspent conditional grants and receipts	7	39,223,142	29,528,162
Value Added Tax	8		
<b>Total Net Assets and Liabilities</b>		<u>125,561,111</u>	<u>103,316,234</u>
<b>ASSETS</b>			
<b>Non - current assets</b>		55,177,499	42,432,411
Property , plant and equipment	10	55,177,499	42,432,411
Investment property			
Investments			
Long term receivables	13		
<b>Current assets</b>		70,383,612	60,883,823
Inventory			
Consumer debtors	15	115,842	119,692
Other debtors	16	50,667	50,667
Pre-paid debtors	13	382,331	0
Value added tax	8	3,218,881	1,407,585
Call investment deposits	17	57,493,473	53,709,222
Bank balances and cash	18	9,122,418	5,596,657
<b>Total Assets</b>		<u>125,561,111</u>	<u>103,316,234</u>

**MSINGA LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2010**

<b>BUDGET</b>				<b>ACTUAL</b>	
<u><b>2009</b></u>	<u><b>2010</b></u>	<u><b>REVENUE</b></u>	<u><b>Note</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>
72,828	500,000	Property rates	19	441,045	441,045
-		Property rates - penalties imposed and collection charges			
15,606	19,556	Service charges	20	20,940	20,940
66,625	108,000	Rental of facilities and equipment		189,979	207,631
3,230,000	3,744,007	Interest earned - external investments	22	4,143,727	5,436,288
6,000		Interest earned - outstanding debtors			31
42,624,173	54,914,000	Government grants and subsidies	21	61,679,235	44,170,147
1,800,000		Other income		715,332	1,944,922
		Gain on disposal of property, plant and equipment			
<u>47,815,232</u>	<u>59,285,563</u>	<b>Total Revenue</b>		<u>67,190,258</u>	<u>52,221,004</u>
		<b>EXPENDITURE</b>			
7,233,971	8,298,642	Employee related costs	23	8,692,945	7,022,905
5,700,313	6,307,379	Remuneration of Councillors	24	6,085,759	5,794,867
700,000	780,183	Contribution to bad debt provision	13;15	450,838	415,005
		Collection costs			
3,453,927	3,636,000	Depreciation	10	4,847,898	3,705,665
3,378,157	5,104,621	Repairs and maintenance		9,513,024	6,894,895
2,123,526	1,419,568	Contracted services		819,035	1,091,118
-	5,091,910	Grants and subsidies paid	27	4,538,583	4,168,835
17,064,027	14,334,889	General expenses		20,325,876	14,719,452
		Loss on disposal of property, plant and equipment			-
<u>39,653,921</u>	<u>44,973,192</u>	<b>Total Expenditure</b>		<u>55,273,958</u>	<u>43,812,742</u>
<u>8,161,311</u>	<u>14,312,371</u>	<b>Surplus (Deficit) for the year</b>		<u>11,916,300</u>	<u>8,408,262</u>
<u>8,161,311</u>	<u>14,312,371</u>	<b>Surplus (Deficit) for the year</b>		<u>11,916,300</u>	<u>8,408,262</u>

Refer to Appendix E .1 for explanation of variances

MSINGA LOCAL MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Accumulated Surplus	Total
	R	R
Balance at 30 June 2009	72,366,701	72,366,701
Restated balance at 1 July 2009	<u>72,366,701</u>	<u>72,366,701</u>
	2010	
Surplus for the year	11,916,300	11,916,300
Balance at 30 June 2010	<u>84,283,001</u>	<u>84,283,001</u>

**MSINGA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		70,076,524	53,928,744
Cash paid to suppliers and employees		(49,317,254)	(42,847,459)
Cash generated from (utilised in ) operations	29	20,759,270	11,081,285
Interest received	22	4,143,728	5,436,287
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>24,902,998</u>	<u>16,517,572</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(17,592,986)	(12,883,399)
Purchase of housing infrastructure			
Proceeds on disposal of property, plant and equipment			
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables			
(Increase) decrease in non - current investments			
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(17,592,986)</u>	<u>(12,883,399)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised (repaid )			
Increase (decrease ) in consumer deposits			
Increase (decrease ) in short term loans			
<b>NET CASH FROM FINANCING ACTIVITIES</b>			
<b>NET INCREASE (DECREASE ) IN CASH AND CASH EQUIVALENTS</b>		<u>7,310,012</u>	<u>3,634,173</u>
Cash and cash equivalents at the beginning of the year		59,305,878	55,671,705
Cash and cash equivalents at the end of the year		<u>66,615,890</u>	<u>59,305,878</u>
		<u>7,310,012</u>	<u>3,634,173</u>

# MSINGA MUNICIPALITY: ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
CRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, unless otherwise stated.

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**1.1 Presentation currency**

These annual financial statements are presented in South African Rand

**1.2 Going concern assumption**

These annual financial statements have been prepared on a going concern basis.

**1.3 Standards, amendments to standards and interpretations issued but not yet effective**

**GRAP 18: Segment Reporting – issued March 2005:**

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

**GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – Issued February 2008:**

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial. Refer to paragraph 9 for compliance in the current year.

**GRAP 24: Presentation of Budget Information in Financial Statements – Issued November 2007:**

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

**GRAP 103: Heritage Assets – Issued July 2008:**

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have already been adopted.

**2. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.



**MSINGA MUNICIPALITY: ACCOUNTING POLICIES  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**3. RESERVES**

**3.1 Capital Replacement Reserves (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

**3.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

**3.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

**3.4 Donations and Public Contribution Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES  
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FOR THE YEAR ENDED 30 JUNE 2010**

transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

#### **4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset is met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<b>YEAR</b>	<b>OTHER</b>	<b>YEARS</b>
<b>Infrastructure</b>			
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Specialist vehicle	10
Electricity	20-30	Other Vehicles	5 - 7
Water	15-20	Office equipment	3 -7
Sewerage	15-20	Furniture and Fitting	7 -10
Housing	30	Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialised plant and equipment	10 -15
Buildings	30	Other items of plant and equipment	2-5
Recreation Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES  
TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

In 2009/2010 the requirements of GAPP 17 and IAS 36 were not complied with as follows:

- Review of useful life of items of property, plant and equipment recognized in the annual financial statements.
- Review of depreciation method applied to property, plant and equipment recognized in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognized in the annual financial statements

This is due to the exemption granted in Gazette 30013 (see note 1)

## **5. INVESTMENTS**

### ***Financial Instruments***

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

## **6. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values.

## **7. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

## **8. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## **9. REVENUE RECOGNITION**

### ***9.1 Revenue from exchange transactions***

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property

## **MSINGA MUNICIPALITY: ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement.

Finance income from the sale of housing by way of instalment sales, agreements or finance leases is recognised on a time proportionate basis.

Revenue from the sale of goods is recognised when the risk has passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

### **9.2 Revenue from non-exchange transactions**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

## **10. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognised.

## **11. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES  
TO THE ANNUAL FINANCIAL STATEMENTS  
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estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

**12. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

**13. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**14. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**15. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**16. COMPARATIVE INFORMATION**

**16.1 Current Year Comparatives**

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

**16.2 Prior Year Comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
2 Long Term Liabilities		
3 ACCUMULATED SURPLUS		
The following internal reserves are ringfenced within the Accumulated Surplus :		
Capital Replacement Reserve		
Balance at 30 June 2009	689,003	689,003
Property, Plant and Equipment purchased ex Capital Replacement Reserve		
Capital Replacement Reserve written back		
Balance at 30 June 2010	689,003	689,003
Government Grant Reserve		
Balance at 30 June 2009	41,334,027	33,174,998
Capital grants used to finance Property, Plant and Equipment	17,586,501	11,838,510
Offsetting of Depreciation	(4,675,155)	(3,679,482)
Balance at 30 June 2010	54,245,373	41,334,026
Capitalisation Reserve		
Balance at 30 June 2009		
Offsetting of Depreciation		
Balance at 30 June 2010	0	
4 Consumer Deposits		
5 Provisions		
Performance bonus		
Current portion of long - service provision		
6 Creditors		
Trade creditors	999,279	634,034
Payments received in advance		
Retention	845,548	323,682
Staff leave	209,472	182,613
Deposits other	670	670
Other creditors		280,372
	2,054,969	1,421,371
7 Unspent Conditional Grants and Receipts		
7.1 Conditional grants from other spheres of government( see note 21)	39,223,142	29,528,162
7.2 Other conditional receipts		
Public contributions		0
Total conditional grants and receipts	39,223,142	29,528,162
Refer Appendix F		

These amounts are invested in a ring - fenced investment until utilised.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

8	VAT		
	VAT receivable	3,218,881	1,407,585
		<u>3,218,881</u>	<u>1,407,585</u>

VAT is payable on the receipts basis

9 Short Term Loans

10 Property, Plant and Equipment  
Reconciliation of carrying value

	Land and buildings	Infra- structure	Community	Other	Total
Carrying value at 1 July 2009	13,099,140	24,877,370	0	4,455,901	42,432,411
Cost	14,529,030	30,605,793	4,622	12,879,542	58,018,987
Revaluation					
Accumulated depreciation					
- Cost	1,429,890	(5,728,423)	(4,622)	(8,423,641)	(15,586,576)
- Revaluation					
Acquisitions	2,275,970	13,360,914		1,259,780	16,896,664
Capital under construction		696,322			696,322
Increases (decreases ) in revaluation					
Depreciation					
- based on cost	(597,935)	(3,017,342)		(1,232,621)	(4,847,898)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2010	14,777,175	35,917,264	0	4,483,060	55,177,499
Cost	16,805,000	44,663,029	4,622	14,139,322	75,611,973
Revaluation					
Accumulated depreciation					
- Cost	(2,027,825)	(8,745,765)	(4,622)	(9,656,262)	(20,434,474)
Reconciliation of carrying value					
	Land and buildings	Infra- structure	Community	Other	Total
Carrying value at 1 July 2008	10,600,192	18,367,493	402	4,286,591	33,254,678
Cost	11,537,122	22,221,915	4,622	11,371,930	31,898,703
Accumulated depreciation					
- Cost	(936,930)	(3,854,422)	(4,220)	(7,085,339)	(11,880,911)
- Revaluation					
Acquisitions	2,991,908			1,507,612	4,499,520
Capital under construction		8,383,878			8,383,878
Depreciation					
- based on cost	(492,960)	(1,874,001)	(402)	(1,338,302)	(3,705,665)
Carrying value at 30 June 2009	13,099,140	24,877,370	0	4,455,901	42,432,411
Cost	14,529,030	30,605,793	4,622	12,879,542	58,018,987
Accumulated depreciation					
- Cost	(1,429,890)	(5,728,423)	(4,622)	(8,423,641)	(15,586,576)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment



**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

11	Investment Property		
	Valuation	0	0
12	Investments - Non - Current	0	0
13	Long Term Receivables		
	Pre-paid	382,331	
	Sundry loans	972,193	972,193
	Provision Bad Debts	(972,193)	(972,193)
		382,331	0
	Less: Current portion transferred to current receivables	(382,331)	
		0	0

**Sundry Loans**

This interest free loan refers to grants paid by Central Government to the District Municipality on behalf of Msinga Municipality as well as amounts due by Uthekela Water (Pty) Ltd.

There is no fixed repayment period. Payments made by the District Municipality on behalf of Msinga are set off against the District Municipality loan.

14	Inventory	
	Consumable stores at cost	
	Maintenance materials at cost	
	Unsold properties held for resale - at cost	0

15	Consumer Debtors			
		Gross Balance	Provision for doubtful debts	Net balance
	Balances at 30 June 2010			
	Service debtors			
	Rates	5,960,072	5,960,072	0
	Electricity			
	Other	231,957	116,115	115,842
	Total	6,192,029	6,076,187	115,842
	Balances at 30 June 2009			
	Service debtors			
	Rates	5,529,081	5,529,081	0
	Electricity			
	Other	215,960	96,268	119,692
	Total	5,745,041	5,625,349	119,692

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Rates: Ageing		
Current ( 0 - 30 days)	36,282	36,689
31 - 60 days	36,282	36,304
61 to 90 days	36,282	36,271
91 - 120 days	36,282	36,272
121 days and over	5,814,944	5,383,545
Total	5,960,072	5,529,081

Electricity and other : Ageing		
Current ( 0 - 30 days)	(36,993)	(32,380)
31 - 60 days	2,490	2,233
61 to 90 days	2,306	2,224
91 - 120 days	2,280	2,151
121 days and over	261,874	241,732
Total	231,957	215,960

Summary of debtors by customer classification

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2010			
Current ( 0 - 30 days)	(32,565)		32,325
31 - 60 days	6,522		32,325
61 to 90 days	6,326		32,325
91 - 120 days	6,260		32,325
121 days and over	862,491		5,213,695
Total	849,034		5,342,995

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2009			
Current ( 0 - 30 days)	(28,016)		32,325
31 - 60 days	6,212		32,325
61 to 90 days	6,170		32,325
91 - 120 days	6,098		32,325
121 days and over	1,155,058		4,470,219
Total	1,145,522		4,599,519

16 Other Debtors		
Short term loans		
Payments made in advance		
VAT claims		
Government subsidies		
Other	50,667	50,667
Total other debtors	50,667	50,667
17 Call Investment Deposit		
Other deposits	57,493,473	53,709,222

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**18 Bank, Cash and Overdraft Balances**

The Municipality has the following bank accounts:

Current account (Primary bank account)

Absa Bank - Newcastle Branch

Account number - 4053635886

Cash book balance at beginning of year	5,596,657	7,504,678
Cash book balance at end of year	9,122,418	5,596,657
Bank statement balance at beginning of year	7,338,159	9,047,418
Bank statement balance at end of year	11,005,466	7,338,159

**19 Property Rates**

Actual

Residential

Commercial

State

Other

Total assessment rates

441,045	441,045
<u>441,045</u>	<u>441,045</u>

Valuations

Residential

Commercial

State

Municipal

Other

Total property valuations

<u>0</u>
----------

**20 Service Charges**

Refuse removal

16,949	20,940
<u>16,949</u>	<u>20,940</u>

**21 Government Grants and Subsidies**

Equitable share

Skills subsidy

Conditional grants utilised to finance property, plant and equipment

Conditional grants utilised to finance operating expenses

Equitable share used to finance capital expenditure

36,024,122	28,772,173
43,678	
17,586,501	11,838,510
8,024,934	3,559,464
<u>61,679,235</u>	<u>44,170,147</u>

Refer Appendix F

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

22	Interest		
	Investment income	3,784,251	4,613,630
	Interest on current account	359,476	822,657
		<u>4,143,727</u>	<u>5,436,287</u>

23	Employee Related Costs		
	Employee related costs - salaries and wages	6,897,087	5,289,374
	Employee related costs - contributions to UIF, pension and medical costs	603,653	445,444
	Travel, vehicle, accommodation, subsistence and other allowances	534,633	555,193
	Housing benefits and allowances		
	Overtime payments	122,927	115,427
	Performance bonus		
	Annual Bonus	534,645	617,467
	Sub-total	<u>8,692,945</u>	<u>7,022,905</u>
	Less: Employee costs allocated to Property. Plant and Equipment		
	Less: Employee costs included in other expenses		
	Total employee related costs	<u>8,692,945</u>	<u>7,022,905</u>

There were no advances to employees.

Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual remuneration	494,871	419,413
Performance bonus		
Car allowance	120,000	120,000
Contributions to Medical, Pension and UIF Funds	41,040	41,040
	<u>655,911</u>	<u>580,453</u>

Remuneration of the Chief Financial Officer

Annual remuneration	619,933	548,308
Performance bonus		
Car allowance		

Remuneration of other managers 2010

	Corporate Services	Engineering Services	Director Develop/plan
Annual remuneration	353,627	300,240	348,031
Performance bonus			
Car allowance	84,000	72,000	52,800
	<u>437,627</u>	<u>372,240</u>	<u>400,831</u>

2009

	Corporate Services	Engineering Services	Director Development
Annual remuneration	280,103	257,416	307,992
Performance bonus			
Car allowance	84,000	72,000	52,800
	<u>364,103</u>	<u>329,416</u>	<u>360,792</u>

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

24 Remuneration of Councillors

Mayor	296,492	277,097
Deputy Mayor	239,327	223,672
Speaker	239,327	223,672
Executive committee members	1,125,174	1,051,575
Councillors	4,330,844	4,018,851
	<u>6,231,164</u>	<u>5,794,867</u>

In - kind benefits

The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties

25 Interest Paid

Finance leases	0	0
----------------	---	---

26 Bulk Purchases

0	0
---	---

27 Grants and Subsidies Paid

ESCOM power lines		1,863
Department of education		
Free basic services & Indigent support	4,538,583	4,166,972
	<u>4,538,583</u>	<u>4,168,835</u>

28 General Expenses

29 Cash Generated by Operations

Surplus (deficit ) for the year	11,916,300	8,408,262
Adjustment for :		
Depreciation	4,847,897	3,705,665
Gain on disposal of property, plant and equipment		
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision	450,838	415,005
Housing operating transactions		
Investment income	(4,143,727)	(5,436,288)
Interest paid		
Operating surplus before working capital changes	13,071,308	7,092,644
(Increase) decrease in consumer debtors	(446,988)	(448,578)
(Increase) decrease in other debtors		12,005
Increase (decrease ) in conditional grants and receipts	9,694,980	5,182,907
Increase (decrease ) in creditors	633,598	(3,155,388)
(Increase) decrease in current portion of long term debtors	(382,331)	4,615
Increase (decrease ) in VAT	(1,811,296)	2,393,079
Increase (decrease ) in provisions		
	<u>20,759,271</u>	<u>11,081,284</u>

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

30	Cash and Cash Equivalents		
	Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
	Bank balances and cash	9,122,418	5,596,657
	Bank overdraft		
		<u>9,122,418</u>	<u>5,596,657</u>
31	Additional Disclosures in Terms of Municipal Finance Management Act		
	31.1 Contributions to organised local government		
	Opening balance		
	Council contributions	126,625	38,906
	Amount paid - current year	126,625	38,906
	Amount paid - previous years		
		<u>0</u>	<u>0</u>
	Balance unpaid ( included in creditors )		
		<u>0</u>	<u>0</u>
	31.2 Audit fees		
	Opening balance		
	Current year audit fee	514,395	327,002
	Amount paid current year	514,395	327,002
	Amount paid - previous years		
		<u>0</u>	<u>0</u>
	Balance unpaid ( included in creditors )		
		<u>0</u>	<u>0</u>
	31.3 VAT		
	Opening balance	1,407,585	3,800,663
	Current year output VAT	(22,112)	(12,234)
	Current year input VAT	6,313,425	5,220,482
	Amount received - current year	(4,479,242)	(7,601,326)
	Amount due by SARS - V A T Audit		0
	Amount due by SARS - included in debtors/creditors	<u>3,218,881</u>	<u>1,407,585</u>
	All VAT returns have been submitted by the due date.		
	31.4 PAYE, UIF and Skills levy		
	Opening balance		
	Current year payroll deductions and Council UIF/Skills contributions	1,719,585	1,802,123
	Amount paid - current year	1,719,585	1,802,123
	Amount paid - previous years		
	Balance unpaid ( included in creditors )	<u>0</u>	<u>0</u>
	31.5 Pension; UIF and medical aid deductions		
	Opening balance		
	Current year payroll deductions and Council contributions	1,350,216	1,029,495
	Amount paid - current year	1,350,216	1,029,495
	Amount paid - previous years		
	Balance unpaid ( included in creditors )	<u>0</u>	<u>0</u>

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**31.6 Councillors arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
30 June 2010	Total	Outstanding less than 90 days	Outstanding more than 90 days

**32 Capital Commitments**

Commitments in respect of capital expenditure:

- approved and contracted for
  - Infrastructure
  - Community
  - Heritage
  - Other
  - Housing Development Fund
  - Investment properties

- approved but not yet contracted for
  - Infrastructure - MIG Roads
  - Community
  - Heritage
  - Other
  - Housing Development Fund
  - Investment properties

18,277,000 16,404,000

2,800,000

This expenditure will be financed from

- capital replacement reserve
- government grants
- own resources
- 

18,277,000 16,404,000

2,800,000

**33 Retirement Benefit Information**

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005

**33.1 Superannuation Fund**

The actuarial value of total assets was R219,5 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

33.1.1. surplus of R5,2 million in respect of pensioners (funding level 100,5%)

33.1.2. deficit of 224,7 million in respect of members (funding level 85,5%)

33.1.3. the fund was thus 91,6% funded



**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

33.1.4. the fund did not hold an investment reserve

33.1.5. the total contribution rate payable, including the surcharge by and on

behalf of members, exceeded that required for future service by 1,0% of member's pensionable emoluments, or about R6,5 million a year

33.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries with effect from 1 July 2006 will be imposed on the municipality.

#### 33.2 Retirement Fund

The actuarial value of total assets was R190,0 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

33.2.1. surplus of R12,9 million in respect of pensioners (funding level 104,1%)

33.2.2. deficit of R202,9 million in respect of members (funding level 69,0%)

33.2.3. the fund was thus 80,5% funded

33.2.4. the fund did not hold an investment reserve

33.2.5. the total contribution rate payable (including the surcharge of 12% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,09% of members pensionable emoluments.

33.2.6. An additional contribution by way of a surcharge will be increased from a total of 12% to a total of 14% of salaries with effect from 1 July 2006 for a period of four years (the additional contributions apply only in respect of members who joined the Fund prior to 1 July 2002) as the excess contributions currently being paid are insufficient to restore the fund to a fully-funded position by 2010.

#### 34 Contingent Liabilities

In accordance with an agreement reached in the SALGBC council must make provision for pensioners medical contribution.

The liability in this regard can not be calculated at this stage.

35 Money received from Pomeroy office were short banked. The value represents R12454(2008) and R7000(2009). An inquiry

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

is in process and possible disciplinary procedures to follow.

**36 Irregular Expenditure**

Irregular expenditure of R 8,795,000 in the current financial year and R6,238,000 in the prior year was incurred as a result of contravention of the Municipality's procurement policy. This expenditure was for road maintenance and is included in the maintenance as per statement of financial performance.

**37 Fruitless and wasteful Expenditure**

An amount of R 12,994.00, payment voucher 12860, was paid in contravention of The council's subsistence and travelling policy. This expenditure is included in General Expenses as per the statement of financial performance.

APPENDIX A

MSINGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2009  R	Received during the year  R	Redeemed or written off during the year  R	Balance at 30/06/2010  R	Carrying value of property plant & equip. R
<hr/>							
<hr/>							
TOTAL							

APPENDIX B  
MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Opening Balance	Cost/ Revaluation Additions Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions Disposals	Closing Balance	Carrying Value	Budget Additions 2009
Land and Buildings									
Land									
Buildings	14,529,030	2,275,970		16,805,000	1,429,891	597,935	2,027,826	14,777,174	
	14,529,030	2,275,970	0	16,805,000	1,429,891	597,935	0	14,777,174	0
Infrastructure									
Storm water drainage									
Roads	29,491,509	13,360,914	696,322	43,548,745	5,719,137	2,905,914	8,625,051	34,923,694	16,404,000
	29,491,509	13,360,914	696,322	43,548,745	5,719,137	2,905,914	0	34,923,694	16,404,000
Community Assets									
Sports facilities	1,118,906			1,118,906	13,908	111,428	125,336	993,570	
	1,118,906	0	0	1,118,906	13,908	111,428	0	993,570	
Leased Assets									
Infrastructure									
Other Assets									
Refuse disposal site	1,531,890			1,531,890	1,531,890		1,531,890	0	
Taxi rank	948,004			948,004	948,004		948,004	0	
Fencing	584,030			584,030	584,029		584,029	1	
Air conditioners	134,252			134,252	115,072	19,180	134,252	0	
Office and computer equipment	2,214,467	59,780		2,274,247	1,528,246	221,659	1,749,905	524,342	
Furniture and fittings	920,406			920,406	352,572	91,061	443,633	476,773	
Machinery and equipment	167,230			167,230	157,295	7,526	164,821	2,409	
Cell phones & radios	2,151			2,151	2,151		2,151	0	
Motor vehicles	6,377,112	1,200,000		7,577,112	3,204,382	893,194	4,097,576	3,479,536	
	12,879,542	1,259,780	0	14,139,322	8,423,641	1,232,620	0	4,483,061	0
Total	58,018,987	16,896,664	696,322	75,611,973	15,586,577	4,847,897	0	20,434,474	16,404,000

APPENDIX C  
MSINGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation			Closing Balance	Carrying Value
							Additions	Disposals			
Executive and Council	3,313,949	59,780			3,373,729	1,673,173	418,550			2,091,723	1,282,006
Finance and Admin	14,798,908	2,275,970			17,074,878	2,127,074	664,936			2,792,010	14,282,868
Planning and Development										0	
Health										0	
Community & Social Services	3,127,013	14,318			3,141,331	1,023,552	194,970			1,218,522	1,922,809
Housing										0	
Public Safety	25,720				25,720	9,813	1,602			11,415	14,305
Sport and Recreation										0	
Environmental Protection										0	
Waste Management	2,320,185				2,320,185	2,108,877	110,247			2,219,124	101,061
Road Transport	34,395,029	14,546,596	696,322		49,637,947	8,617,032	3,454,811			12,071,843	37,566,104
Other	38,183				38,183	27,056	2,781			29,837	8,346
	0				0						
	58,018,987	16,896,664	696,322	-	75,611,973	15,586,577	4,847,897	-		20,434,474	55,177,499

# APPENDIX D

## MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009	2009	2009		2010	2010	2010
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
52,013,552	22,537,210	29,476,342	Executive and Council	66,989,910	27,418,487	39,571,423
84,160	4,064,721	(3,980,561)	Finance and Admin	50,273	5,405,409	(5,355,136)
	3,377,468	(3,377,468)	Planning and Development		3,071,134	(3,071,134)
	201,746	(201,746)	Health		193,728	(193,728)
102,352	1,667,843	(1,565,491)	Community & Social Services	129,135	2,055,931	(1,926,796)
		0	Housing			0
	355,051	(355,051)	Public Safety		1,582,171	(1,582,171)
		0	Sport and Recreation			0
		0	Environmental Protection			0
20,940	383,347	(362,407)	Waste Management	20,940	445,325	(424,385)
	10,998,942	(10,998,942)	Road Transport		14,834,656	(14,834,656)
		0	Water			0
		0	Electricity			0
	226,414	(226,414)	Other		267,117	(267,117)
		0				0
52,221,004	43,812,742	8,408,262	Sub - total	67,910,258	55,273,958	11,916,300
			Less : Inter departmental charges			
52,221,004	43,812,742	8,408,262		67,910,258	55,273,958	11,916,300



## MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	
Property rates	441,045	500,000	(58,955)	(13%)	
Property rates - penalties imposed and collection charges			0		
Service charges	20,940	19,556	1,384	7%	
Rental of facilities and equipment	189,979	108,000	81,979	76%	
Interest earned - external investments	4,143,727	3,744,007	399,720	10%	
Interest earned - outstanding debtors	0	0	0		
Fines			0		
Licences and permits			0		
Income for agency services			0		
Government grants and subsidies	61,679,235	54,914,000	6,765,235	11%	
Other income	715,332	0	715,332	100%	
Public contributions ,donated and contributed property, plant and equipment					
Gain on disposal of property, plant and equipment					
<b>Total Revenue</b>	<b>67,190,258</b>	<b>59,285,563</b>	<b>7,904,695</b>		
<b>EXPENDITURE</b>					
Employee related costs	8,692,945	8,298,642	394,303	5%	
Remuneration of Councillors	6,085,759	6,307,379	(221,620)	(4%)	
Contribution to bad debt provision	450,838	780,183	(329,345)	(73%)	
Collection costs		0	0		
Depreciation	4,847,898	3,636,000	1,211,898	25%	
Repairs and maintenance	9,513,024	5,104,621	4,401,403	46%	Council spend more than budgeted
Interest paid		0	0		
Bulk purchases		0	0		
Contracted services	819,035	1,419,568	(600,533)	(73%)	
Grants and subsidies paid	4,538,583	5,091,910	(553,327)	(12%)	
General expenses	20,325,876	14,334,889	5,990,987	29%	
Loss on disposal of property, plant and equipment					
<b>Total Expenditure</b>	<b>55,273,958</b>	<b>44,973,192</b>	<b>10,300,766</b>		
<b>Surplus (Deficit) for the year</b>	<b>11,916,300</b>	<b>14,312,371</b>	<b>(2,396,071)</b>	<b>(20%)</b>	

**APPENDIX E ( 2 )**

**MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings	2,275,970		2,275,970	0	2,275,970	100	
	2,275,970		2,275,970	0	2,275,970		
Infrastructure							
Storm water drainage							
Roads	13360914	696,322	14,057,236	16,404,000	-2,346,764	(14)	
Electricity reticulation			0		0		
	13,360,914	696,322	14,057,236	16,404,000	-2,346,764		
Community Assets							
Parks and gardens			0	0	0		
Curio centre			0	0	0		
Libraries			0		0		
	0	0	0	0	0		
Heritage Assets							
Museum			0		0		
			0		0		
Housing Rental Stock							
					0		
Leased Assets							
Infrastructure			0		0		
			0		0		
Other Assets							
Refuse transfer station							
Office equipment	59,780		59,780		59,780	100	
Furniture and fittings			0		0		
Bins and containers			0		0		
Motor vehicles	1,200,000		1,200,000		1,200,000	100	
Computer equipment			0		0		
	1,259,780		1,259,780	0	1,259,780		
Total	16,896,664	696,322	17,592,986	16,404,000	1,188,986	7	

**MSINGA LOCAL MUNICIPALITY**

**APPENDIX F**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003**

Description	Name of organ of State	Unspent balance at 1 July 2009 R	Received 2009/2010 R	Expenditure 2009/2010 R	Transfer 2009/2010 R	Unspent balance at 30 June 2010 R	Grants delayed/ withheld R	Reason for delaying/ withholding funds	Compliance with grant YES/NO	Reason for non- compliance
<u>capital</u>										
Grants - general	Unspecified	322,179				322,179			YES	
Grant - construction of shelters	District Council	4,072,564		2,542,359		1,530,205			YES	
Int Dev I - Structure Grant	Provincial Government	1,250,000				1,250,000			YES	
MIG-Roads		7,268,742	14,442,000	12,811,748	(2,000,000)	6,898,994				
Transition grant		3,242,960			(889,409)	2,353,551			YES	
<u>operating</u>										
Transition grant			1,288,500	1,247,294		41,206				
Tourism grant		936,217	1,662,929	2,275,970	613,041	936,217			YES	
Municipal assistance programme				37,170	37,170	0			YES	
Municipal support grant		2,683,095		285,302	(37,170)	2,360,623			YES	
Grants - general		937,950	3,300,000		(937,950)	3,300,000			YES	
Grant -Integrated development plan		239,050				239,050			YES	
Finance Management grant		143,604	1,000,000	1,143,604		0			YES	
Implementation of M F M Act		145,000				145,000			YES	
Equitable share				1,200,000	1,200,000	0			YES	
Inter departmental monitoring grant		100,000				100,000			YES	
Grant - LUMS		237,223				237,223			YES	
Grant - Project Consolidate		2,237,415		1,042		2,236,373			YES	
Grant - community development workers		130,992		2,100		128,892			YES	
MSIG grant		1,067,975	735,000	1,802,975		(0)			YES	
Housing grant - Pomeroy project		108,677				108,677			YES	
Grant - LED capacity building		125,000				125,000			YES	
Lottery- Pomeroy sport field				14,318	14,318	(0)			YES	
Internal control & Audit committee		150,000				150,000			YES	
Spatial dev Framework		100,000				100,000			YES	
Housing grant - Kwalatha project		(72,441)				(72,441)			YES	
Resol phase 1		145,000				145,000			YES	
Info Investment programme		200,000				200,000			YES	
E - Learning		225,658		1,560		224,098			YES	
Small town rehab			12,676,000	141,265		12,534,735			YES	
Electrification programme		3,531,306	201,984	2,104,727	2,000,000	3,628,563			YES	
		29,528,166	35,306,413	25,611,434	0	39,223,144				

## **Msinga municipality 2009/10 financial year performance report**

### **INTRODUCTION**

The Municipal Systems Act of 2000 as amended, in section 46 stipulates that a municipality has to prepare performance information of each department within that financial year, make comparison of the departmental performance with the targets that were set in the previous year and measures taken to improve performance. This report has to form an integral part of the municipality's annual report in terms of chapter 12 of the Finance Management Act of 2003 and section 46 of the MSA.

Performance Management System is still in its infant stage at Msingane municipality, the PMS framework was adopted in March 2009 and the first SDBIP was adopted in September 2009. This report presents performance per department in light of the set targets, indicators and the budget.

#### **A. FINANCE DEPARTMENT:**

##### ***NKPA: MUNICIPAL FINANCE VIABILITY AND MANAGEMENT***

- The financial affairs of the municipality have been handled in a satisfactory manner. The municipality received an unqualified opinion for the 2008/2009 financial year.
- Msingane municipality was allocated R36 575 000( equitable share) for 2009/2010 financial year. An amount of R1000 000.00 (FMG) grant, Municipal Systems Infrastructure Grant an amount of R16 404 000.00(MIG)
- The municipality's operational grant was R44 973 192.00 for 2009/10.

The finance department had two objectives

#### **1. TO PREPARE AND ADOPT ALL LEGISLATED FINANCIAL DOCUMENTS AS PER MFMA**

- 2009/10 budget was adopted in May 2009 which was before the legislated deadline in terms of Municipal Finance Management Act and Municipal Systems Act.
- The financial statements were completed by end of August 2009. The information in the monthly financial statements informed the Midyear section 72 that was submitted to Provincial treasury in February 2010, and section 46 reports currently being prepared.
- The finance department has managed to submit finance documents including the annual report 2008/9 in line with MFMA requirements, and received an unqualified opinion from the Auditor General.

## 2. TO INCREASE REVENUE IN THE MUNICIPALITY

The municipality is grant dependent and partially collects rates which do not amount to a lot of revenue.

### B. TECHNICAL DEPARTMENT:

#### NKPA: BASIC SERVICES AND INFRASTRUCTURE

##### 1. TO IMPROVE ROAD ACCESS

In achieving this objective the

- Technical Department had eleven priority access roads planned for 2009/10 that were funded in house (equitable share).
- The average progress report for MIG funded roads is currently at 100 %.
- The municipality is now maintaining 30 access roads and has opened employment to 330 women (EPWP). A total of R5 million was allocated for road maintenance
- 13 roads were built at a total of R13 837 810.00, an additional 04 roads were built using MIG funds.

NUMBER	ACCESS ROADS	AMOUNT	WARD
1.	Sphanga access rd	R1,577 777.10	Ward 03
2.	Mahlabathini rd	R 666 707.84	Ward 10
3.	Ndanyana acces rd	R1, 161 346.50	Ward 17
4.	Kubuyakwezwe rd	R1,742 877.60	08
5.	Nodlozi rd	R1,321 887.00	07
6.	Embubeni rd	R1,410 265.50	01
7.	Burnhill rd	R 911 230.50	06
8.	Ezindluzeleni rd	R1, 321 399.08	15
9.	Nkobongweni rd	R1, 231 177.04	17
10.	Gxobanyawo rd	R 422 901.01	11
11.	Nondela rd ext.	R1,064 044.00	14
12.	Mavumbuka rd	R539 083.00	05
13.	Gxobanyawo ext rd	R 469 027.00	11
14.	Simanyama rd	R2,690 642.00	07
15.	Ngilandi rd	R2,169 823.00	13
16.	Ezihlabeni rd	R3,056 031.00	14

17.	Bhodlendlini rd	R3,402 037.00	08
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## **2. FREE BASIC SERVICES**

- *The municipality subsidizes alternative energy sources a total of 2645 households use solar energy. A total of R1 934 141.00 was spent towards this objective.*

## **3. TO PROVIDE THE PEOPLE OF MSINGA WITH ELECTRICITY**

- The municipality appointed a contractor and electricity installation commenced.
- 369 connections were completed and a total of 3,9 million rands was used in 2009/10.
- The target for 2009/10 was 270 connections and a budget of 3,5 million. The technical department went over the set target of 270 households and completed 369 connections and utilized the savings and interests that increased the funding to 3,9 million.
- The municipality received further funding from the Department of Minerals and Energy for 800 connections and another from the Department of Rural Development and Land Reform. This project has a target of 1600 connections to be achieved at the end of this financial year 2010/11.

## **4. TO MANAGE INFRASTRUCTURE**

- The intention was to develop an Infrastructure Investment Plan which would reflect how much infrastructure is required for the whole municipal area as well as indicate the resources and the potential sources.
- DPLG introduced Comprehensive Infrastructure Plan(CIP) which seems to be a duplication of the Infrastructure Investment Plan therefore the municipality has then decided not to prepare this plan but to review the municipality's CIP( comprehensive infrastructure Plan) to avoid duplication.
- The review of CIP will commence in the 2010/11 along with the preparation of the Integrated Waste Management Plan.

## **5. EFFECTIVE MANAGEMENT OF SOLID WASTE**

- In this objective the intention is mainly to supervise contractors. Waste is collected five days a week in two towns Tugela Ferry and Pomeroy.
- a total of R107 919,00 was budgeted for this financial year

## **C.DEVELOPMENT PLANNING:**

### **1. DEVELOP A STRATEGIC PLAN TO ENSURE YOUTH PARTICIPATION IN ACADEMICS**

#### **1.1 YOUTH DEVELOPMENT**

The total budget for youth development was R800 000 for 2009/10 financial year.

- Youth is funded for registration at tertiary level. R10 000 is paid towards tertiary education of two or three tertiary learners per ward. A total of 170 000 was budgeted to assist the youth of Msinga with tertiary registration or tuition fees  
The target was to send 2 learners per ward to a tertiary institution utilizing the bursary scheme. The target was met, R170 000 was utilized, with each ward using R10 000.
- R86 000 was budgeted for computer training
- The municipality also intended to assist unemployed youth with office skills so that they could gain work experience, 17 youth were employed ( one per ward) on a contract basis for 18 months. *The budget was R204 000.*
- Each ward was allocated R20 000 for sports and recreational needs that may arise. Wards spent this amount on various needs such as sewing machines, sports kits, youth functions etc.
- The municipality had planned an event “called it’s your life” aimed at giving grade 12 high schools learners career guidance. The municipality had done all the necessary preparations for this event; however the municipality had to put the project on hold due to sponsors not materializing. The project cost was approximately R400 000, the municipality was prepared to contribute one third and the rest was to come from other sponsors. The project was cancelled due to lack of sponsors.

#### **2.2. SPORTS AND RECREATION**

- The municipality organized sporting games in which selection of the best teams took place. The teams selected competed at an annual selection event called Kwanologa games in Pietermaritzburg in December 2009. The selected teams were sent to play at a district level at UMzinyathi .
- R300 000 was budgeted for sports and recreation for the year 2009/10.
- The municipality established Msinga sports league to ensure proper administration of sporting codes within the municipality. Six streams have been established.

#### **1.3 PAUPER BURIALS**

- The municipality had budgeted R150 000.00 to assist poor families with burial expenses.
- The municipality assisted 250 families with burial assistance at a total of R150 000.00.

#### **1.4 AGRICULTURE**

- Agriculture is the competitive advantage of the municipality, therefore the municipality bought fencing materials, seeds and water engines a total of R175 000.00 was spent.
- The municipality further encouraged one home one garden utilizing R15 000.00 per ward totaling R255 000.00.
- The municipality was selected by the MEC for The Department of Rural Development and Land Reform as a pilot project in which they intend fast tracking the municipal projects towards the reduction of poverty. To this end, this department has profiled households in the four poorest wards within the municipality. The information that will come out of this profiling will enable the municipality to develop a sound poverty alleviation strategy.
- The department of Rural Development launched a war on poverty campaign in ward 6, 7, 8, and 9. The municipality has been working with the department in finding ways of fighting poverty, to this end it provided food parcels to 360 poverty stricken families, orphans and widowers at R489 600.00.

#### **1.5 NKPA: LOCAL ECONOMIC DEVELOPMENT**

- The municipality is currently doing a feasibility study for the village town of Keates Drift with the intention to revitalize the economy of Keates Drift which is one of the three Small towns within the municipality. The study will be completed in 2010/11 financial year.
- The municipality encourages local business people to participate in the affairs of the municipality, and during Mayoral functions/ Izimbizos local caterers and local shops benefit. In 2009/10 about 26 caterers benefitted and 73 taxi owners benefitted as well. A total of R1,567 411.50 was spent.
- During mayoral izimbizos local performing groups perform, out of 36 Izimbizo's held 108 groups performed getting R3 000.00 each a total of R324 000.00 was spent.



## **1.6 HIV/AIDS**

- Although HIV/AIDS is not the primary function of the municipality, the Municipality launched an HIV/AIDs Council in December 2009 and all government departments operating within Msinga Municipality were invited to take part. The first meeting was held in April 2010. The honorable Mayor is the chairperson of the council. During the izimbizos the Mayor passes messages of awareness and is assisted in delivering such messages by the health department, NGOs such Sinozwelo and Philanjalo ( providing support to HIV orphans, and the sick) and social development department. The mayor also hands out food parcels to the Aids victims or sufferers, a total of R90 000.00 was spent.

## **1.7 DISASTER MANAGEMENT**

The municipal area mainly faces disasters in the form of fire during winter and spring seasons.

- Three awareness and educational campaigns were conducted in disaster prone areas by the municipal fire fighters in an attempt to decrease the number of people who become victims of disaster.
- Where disasters have struck the municipality supply blankets and food parcels.
- R1 050 000.00 was spent on awarenesses as well as fire fighting.

## **2. IMPROVE ON MONITORING AND EVALUATION (M&E)**

- In 2008/9 the municipality's Performance Management Framework was adopted in line with the legislation (MFMA& MSA).
- Performance agreements of section 57 were signed by three section 57 Managers and were submitted to DLGTA timeously in September 2009.
- The SDBIP was adopted in September 2009 and made public during the Mayoral Izimbizo held in every ward.
- a (S 72) mid-year performance was completed and submitted to Treasury, The Department of Cooperative Governance and to the Mayor of Msinga Municipality in February 2010.
- The Annual report S 46 was completed, submitted to EXCO and full Council for approval. Once approved it was be advertised for public viewing.
- The scorecards for the four department are in place.

### **3. SUBMIT HOUSING APPLICATIONS AND IMPLEMENT IDENTIFIED HOUSING PROJECTS**

In achieving this objective the municipality plays the facilitation role only.

- The municipality held a meeting with the Implementing Agents of Pomeroy and Latha Housing projects to find out what is holding the projects back.
- The contract for stage 1 were signed and stage 2 applications for all four projects have been submitted to the Department of Housing.
- The settlement plan for Mvundlweni project was approved by the municipality in July and it is now with the department of Human Settlements for their approval.
- The municipality awaits the Department of Housing decision as the applications have been forwarded to them. The Municipal Manager wrote to the HOD of the department enquiring about the slow pace of implementation of housing projects in Msinga.
- During the Turn Around Strategy meeting it was resolved that the Mayor should write to the MEC and voice his dissatisfaction about the slow progress on the implementation of housing projects of Msinga .

### **4. NKPA:SPATIAL DEVELOPMENT FRAMEWORK PLAN**

The municipality has an outdated SDF which was last updated in 2005. It is vital that the municipality review its SDF as it is the spatial representation of the visions and goals of the municipality thus it was this municipality's objective to achieve this in 2009/10 utilizing the grant received from DLGTA. However, the grant according to DLGTA is solely for more strategic plans while the DFP is intended to inform the SDF.

- The municipality then called out for service providers to forward their quotations for the DFP for the three towns. All quotations were above the R100 000.00 grant. Due to this implication, the municipality on the advice of DLGTA reduced the project from three to one town (Tugela Ferry - primary node). The service providers were then asked to forward amendments to their initial quotations.
- At the moment the study is underway for the Tugela Ferry urban Development Framework which is meant to be the first step towards the formalization of this town currently held in trust by Ingonyama Trust.
- The municipality was selected by MEC for Local government to be one of the towns to be rehabilitated under the small town rehabilitation program. This necessitated that the municipality develop a proper physical base plan (Urban Development Framework Plan) that

reflect spatially the future plans of Tugela Ferry. As mentioned above the plan is underway and will be completed in October 2010.

## **5. TO ANNUALLY REVIEW IDP**

- In accordance with chapter 5 of the MSA the municipality embarked on a process of reviewing its 2009/10 IDP. The process plan which states how the IDP review would be conducted was adopted in September 2009.
- It was submitted to DLGTA and was advertised in the local newspapers in October 2009 along with the advert informing the public of the Performance Management Framework that had been adopted by the municipality.
- IDP forums and the Steering committee meetings took place from February to May 2010.
- The draft IDP was adopted in April 2010 and the final on the 19<sup>th</sup> May 2010 along with the budget as stipulated in the Municipal Systems Act.
- An amount of R20 000 was budgeted for IDP and another R20 000 for PMS .

## **D.COPORATE SERVICES**

### **NKPA: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION**

#### **1. ENSURE PUBLIC PARTICIPATION IN LOCAL GOVERNANCE (S 17, MSA)**

- The municipality has established a mechanism for community involvement in its affairs. The municipality ensures that it holds consultative sessions with community organizations and the public at large in the form of Izimbizo. In this platform the municipality reports back to the community regarding financial and performance information.  
The municipality has a high illiteracy amongst adults especially women thus in choosing mechanisms for community participation it opted for izimbizo which caters for those who cannot read or write. However written information is also disseminated during izimbizos, documents such as IDP are available to the public at strategic points. After the final budget has been adopted the municipality communicates this information during the IDP/Budget day which is a function held once a year. For 2009/10 it was held at Bathenjini Hall on the 18<sup>th</sup> of June 2009
- 36 izimbizos were held and in those all organizations functioning at Msinga are invited to participate; religious organizations, independent organizations, government departments, Traditional Authorities, and CDWs.
- The mayor also meets on a regular basis with other mayors at a district level.

- The municipality has a good relationship with the local, provincial and national departments.

## **2. TRAIN STAFF AND COUNCILORS IN CRITICAL SKILLS**

- 170 Ward committees attended a two day workshop on local government legislation.
- 12 ward committee meetings were held. An allowance is paid to ward committees for attending meetings. R65 000 was budgeted for this objective.
- One councilor is undergoing training with the University of Pretoria.
- 10 Staff members are undergoing training in the financial management field with the reputable institution which is the main priority in terms of the identified skills gap in the Work Place Skills Plan 2009/10 of the municipality.

## **3. IMPLEMENTING WORKPLACE SKILLS PLAN**

- Employees' skills profiles were received from the four departments in the municipality.
- A skills audit was completed. Information emanating from the skills audit was used to update the WSP.
- The identification of skills in line with the IDP functions was started.
- The municipality has no Training Plan in place. Establishment of either a training committee or plan is important in ensuring that municipal officials attend job related trainings and to achieve a coordinated workplace structure.
- No discretionary grant was reported from LGSETA.

## **4. REVIEW /ESTABLISH POLICIES AND BY-LAWS**

The municipality had planned to review old policies and establish new ones however they will not embark on this because SALGA has prepared 18 policies.

- The municipality is in a process of appointing a service provider to will workshop both councilors and officials on the new and reviewed policies.

## **5. TO ORGANIZE COUNCIL MEETINGS WELL IN ADVANCE EFFECTIVELY.**

This objective was intended to ensure effective council meetings.

- The Corporate Service Department had targeted to produce and deliver agendas seven days prior Council/Executive meetings.
- They have managed to send agendas seven days prior to the meeting.
- The minutes taking has improved.

# AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MSINGA MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Msinga Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 25.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No.12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Msinga Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended are prepared in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

### Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Irregular expenditure**

9. As disclosed in note 36, to the financial statements, irregular expenditure to the amount of R15,033 million was incurred, as a proper tender process had not been followed.

#### **Additional matter**

10. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Unaudited supplementary schedules**

11. The supplementary information set out on pages 42 to 45 and 48 do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations (MFMA, Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and Municipal Supply Chain Management Regulations – GNR 868 of 30 May 2005 (MSCMR)) and financial management (internal control).

#### **Predetermined objectives**

13. Material findings on the report on predetermined objectives, as set out on pages 49 to 58, are reported below:

#### **Non-compliance with applicable legislation**

##### **Lack of policies and procedures to improve performance**

14. The performance management system does not specifically provide for policies and procedures to take steps to improve performance with regard to those development priorities and objectives where performance targets were not met, as required by section 41(1) (d) of the MSA.

##### **Internal auditing of performance measurements**

15. The Msinga Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.

##### **Usefulness of reported performance information**

16. The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents.
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

17. The integrated development plan objective to empower people of Msinga Municipality with skills were not:

- Specific in clearly identifying the nature and required level of performance; and
- Measurable in identifying the required performance and specific targets.

### **Reliability of reported performance information**

The following criteria were used to assess the reliability of the planned and reported performance:

- **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

18. The accuracy and completeness of the amounts recorded for the completed roads could not be relied on due to following unexplained differences totalling R1,580 million between the amounts recorded on the physical progress and financial report (PPFR) as at 30 June 2010 and the amounts recorded in the annual performance report (APR):

- *Simanyama access road* – PPFR (R3,776 million) and APR (R2,690 million)
- *Bhodlendlini access road* – PPFR (R3,150 million) and APR (R 3,402 million)
- *Ngilandi access road* – PPFR (R 1,927 million) and APR (R2,169 million)

### **Compliance with laws and regulations**

#### **Non-adherence to legislation**

**Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA)**

#### **The audit committee was not properly established or not functioning correctly**

19. The audit committee was did not operate effectively throughout the year, and thus did not fulfill its mandate, as required by section 166 of the MFMA.

#### **Municipal Supply Chain Management Regulations – GNR 868 of 30 May 2005 (MSCMR)**

#### **Expenditure was incurred in contravention of applicable legislation resulting in irregular expenditure**

20. Regulations 20(e) and (f) of the MSCMR was contravened, in that, bids were not evaluated and awarded fairly, resulting in irregular expenditure being incurred.

#### **Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)**

#### **Legislative requirement for declarations of interest not adhered to**

21. Contrary, to section 7(f) of schedule 1 and section 5A (1) (f) of schedule 2, declarations of business interest did not fully disclose interests in entities with, which the municipality transacted.

## INTERNAL CONTROL

22. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the following key laws and regulations, (MFMA, MSA and MSCMR), but not for the purpose of expressing an opinion on the effectiveness of internal control.
23. The matters reported are limited to the significant deficiencies that gave rise to the findings on the report on predetermined objectives and findings on compliance with laws and regulations.

## Leadership

24. The accounting officer did not exercise oversight responsibility over performance management and compliance with laws and regulations. In this regard, decisive actions were not taken to ensure that irregular spending was disclosed in the financial statements and that reported performance adequately supported.

## Financial and performance management

25. Records management did not operate at desired levels due to time delays that were experienced in providing essential documents. Moreover, the financial and performance management information was not reviewed for completeness and accuracy, in that, material amendments in the financial statements emanated from the auditing process.

## Governance

26. The audit committee did not fulfil its mandated role nor did the internal audit function perform effectively to ensure that ongoing monitoring, as well as preventive, detective and corrective measures was adequate to mitigate and respond to the risk of material misstatement and fraud.

*Cluitor-General*

Pietermaritzburg

30 November 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*